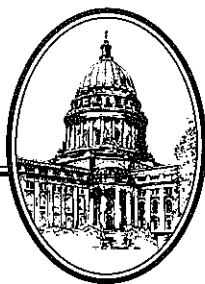


February 24, 2010



Co-Chair, Joint Committee on Audit  
Committee on Financial Institutions  
Chair, Partnership for a Stronger Economy  
Committee on Jobs, the Economy & Small Business

Wisconsin Capital Access Program – Assembly Bill 532  
Senate Committee on Small Business, Emergency Preparedness, Technical Colleges and  
Consumer Protection  
Representative Peter Barca

Chairman Wirth and members of the Senate Committee on Small Business, Emergency Preparedness, Technical Colleges and Consumer Protection, thank you for holding a public hearing on Assembly Bill 532, which would expand access to credit for small businesses by creating a state-wide Wisconsin Capital Access Program (WCAP) to provide banks with additional incentive to issue commercial loans which would not otherwise meet conventional underwriting standards.

Following the national economic downturn that occurred over a year ago, credit markets have drastically tightened and that has made it more difficult for small businesses to receive the funding they need to open and operate. This program attempts to motivate banks to lend to small businesses and ultimately produce a win-win for both businesses and banks.

The Wisconsin Capital Access Program encourages financial institutions to offer loans to small and medium-sized businesses that are slightly riskier than those that would be traditionally approved under conventional underwriting by establishing a loan loss reserve fund. The lender and the borrower pay a small percentage of the loan amount as an up-front insurance premium which is matched by the state and deposited into the reserve fund for the lender to use as additional collateral on the loan.

Currently, 26 states and two major cities have Capital Access Programs to encourage small business lending in a cost-effective manner. This proposal expands on a highly successful Capital Access Program which has been in operation in Milwaukee since 1992.

Under the program, the banks negotiate the loan terms directly with the borrower and use their own forms, standards, and procedures. This is not an incentive to make careless or risky loans, but the program can help get credit flowing again to businesses in need by providing supplemental reserve protection against potential loan defaults.

An additional benefit is that the program has a rather low cost for a large reward. The state must match only a small percentage of what are comparatively small commercial loans, however with the state's temporary investment in the loan loss reserve fund, loans can be granted that can spur economic development, create jobs, and prove profitable for banks. Reserve funds on loans that have been repaid are returned to the program to be reused in future loans.

Thank you for your time today and I hope that I can count on your support when Assembly Bill 532 comes for a vote before this committee.

# Capital Access Program Basics

1. Off balance sheet Loan Loss Reserve for participating lenders.
2. Businesses must be located in four county Metro Milwaukee area: Milwaukee, Ozaukee, Waukesha, or Washington counties.
3. Began in 1992 with \$650,000 (total funding to date \$1,400,000):

City of Milwaukee	\$300,000
Wisconsin Dept. of Commerce	\$250,000
MEDC	\$100,000
	<u>\$650,000</u>

4. 935 Loans enrolled through 12/31/2009
5. Average Loan Size: \$55,946
6. Leverages \$37.36 for every \$1 in funding (\$52,309,754/\$1,400,000).
7. Average cost of program for every job retained and/or created is \$176.39 (\$1,400,000/{2,553 PT + 5,384 FT}).
8. Loans to businesses owned by target population:
  - a. Minority: 40%
  - b. Female: 39%
9. Currently there are 19 enrolled lenders (27 signed agreements, reduced through mergers/acquisitions. 12 have participated in program by enrolling at least 1 loan.

Associated Bank	First Business Bank - Milwaukee	Harris Bank	InvestorsBank	JP Morgan Chase
Layton State Bank	Legacy Bank	M&I Bank	Miller Schroeder	Mitchell Bank
North Milwaukee State Bank	North Shore Bank	Park Bank (Milwaukee)	Securant Bank & Trust	TCF National Bank
Tri City National Bank	US Bank	Waukesha State Bank	Wells Fargo Bank	